

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1696 - SB 1477

March 8, 2011

SUMMARY OF BILL: Modifies the Hope Scholarship program including definition of terms related to summer school semesters; authorization for part-time students to receive partial awards based on the number of semester hours attempted; authorization for students who have received the Hope Scholarship for more than nine but less than 10 full-time equivalent semesters to be awarded a Hope Scholarship as part-time students; reduces, from five to four years, the terminating event for receiving the Hope Scholarship; authorization for students to receive a Hope Scholarship for any semester, including summer semesters. Requires dual enrollment grants received by dual enrollment students to count towards the terminating events for receiving the Hope Scholarship, and deletes obsolete language concerning a pilot project that took place during FY08-09.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Net Impact –

\$6,773,400/FY11-12/Lottery for Education Account

\$6,791,100/FY12-13/Lottery for Education Account

\$6,585,600/FY13-14/Lottery for Education Account

\$6,764,400/FY14-15/Lottery for Education Account

**\$3,250,000/FY15-16 and Subsequent Years/Lottery for Education
Account**

Assumptions:

- First-year impact relative to the proposed summer school provisions: Under current law, Hope Scholarship recipients receive no award for attending summer classes. Under this bill, these recipients will receive scholarship awards if six semester hours are attempted during summer semesters. According to the Tennessee Student Assistance Corporation (TSAC), there were 61,308 Hope Scholarship recipients enrolled for the spring semester of 2010. This number is assumed to remain constant. TSAC estimates that 40 percent of all Hope Scholarship recipients enrolled for spring semesters (24,523) will enroll for summer semester classes. Of these summer enrollees, TSAC estimates that 21,935 will meet the six-credit-hour minimum to qualify for a summer semester Hope award. Based on data provided by TSAC, the weighted-average summer semester scholarship award is estimated to be \$1,034. This estimated weighted-average award takes into account reduced awards for Hope recipients attending two-year institutions, as well as Hope

recipients who earn supplemental awards such as the General Assembly Merit Scholarship. The increase in expenditures from the Lottery for Education Account (LFEA) will be \$22,680,790 (21,935 x \$1,034) in FY11-12.

- Second and subsequent year impacts relative to the proposed summer school provisions: Student behavior is expected to change following enactment of this bill; students will attempt summer semester hours in the formative years due to summer awards and in order to complete degree requirements within the proposed four-year terminating event. As a result, scholarships that will be awarded in latter years (under current law) will be awarded sooner to those students electing to take summer semester courses, thus shifting expenditures to earlier years. This change in student behavior will lessen in subsequent years as students become acclimated with the new requirements. As a result, and based on TSAC data, the first-year estimated impact is expected to decrease by approximately 11 percent in FY12-13, by another 35 percent in FY13-14, by another 44 percent in FY14-15, and by 53 percent in FY15-16. Therefore, the increases in state expenditures from the LFEA will be \$20,185,903, \$13,120,837, \$7,347,669, and \$3,453,404 for FY12-13, FY13-14, FY14-15, and FY15-16 respectively.
- Impact relative to the terminating event provisions: According to TSAC, students that typically complete degree requirements in five years under current law will only receive the Hope Scholarship for four years due to the change in the terminating event from five years to four years. As a result, there will be a decrease in expenditures from the LFEA because fifth-year awards will no longer be paid under this bill. Based on fifth-year student data provided by TSAC, it is estimated that 3,926 students will not receive the Hope Scholarship for a fifth year during FY11-12. Therefore, the decrease in state expenditures from the LFEA will be approximately \$15,704,000 (3,926 students x \$4,000 annual award) for FY11-12.
- Second and subsequent year impacts relative to the terminating event provisions: Student behavior is expected to change following enactment of this bill; students will attempt more hours in the formative years of their education in order to complete degree requirements within the proposed four-year terminating event. This change in student behavior will lessen in subsequent years as students become acclimated with the new terminating event. As a result, and based on TSAC data, the first-year estimated impact is expected to decrease by approximately 16 percent in FY12-13, by another 52 percent in FY13-14, by another 94 percent in FY14-15, and by 100 percent in FY15-16. Therefore, the decreases in state expenditures from the LFEA will be \$13,191,360, \$6,331,853, \$379,911, and \$0 for FY12-13, FY13-14, FY14-15, and FY15-16 respectively.
- Impact relative to the dual enrollment provisions: Based on data provided by TSAC, there will be a recurring increase in state expenditures from the LFEA as a result of dual enrollment students increasing the number of credit hours they attempt. This will occur as a result of the dual enrollment award becoming an award based on the number of semester hours attempted. However, there will be a recurring decrease in state expenditures from the LFEA as a result of dual enrollment students finishing degree requirements sooner. The fiscal impact of these offsetting factors is estimated to be a net recurring increase in state expenditures from the LFEA of \$1,200,600. This estimate is based on the assumption that 50 percent of dual enrollment students will double the number of credit hours they attempt (resulting in a recurring increase in expenditures

from the LFEA of approximately \$1,568,000), and the assumption that approximately 50 percent of these students will complete degree requirements sooner relative to the time period it would take them under current law (resulting in a recurring decrease in expenditures from the LFEA of approximately \$367,400).

- There will be a recurring decrease in expenditures from the LFEA as a result of students that require four years to complete degree requirements (under current law) finishing their degrees in less than four years (under this bill). This recurring decrease in state expenditures from the LFEA will be \$1,404,000 based on the assumption that approximately 702 students will finish their degrees one semester earlier (702 students x \$2,000).
- The total net increase in state expenditures from the LFEA for FY11-12 will be \$6,773,390 (\$22,680,790 - \$15,704,000 + \$1,200,600 - \$1,404,000); for FY12-13 will be \$6,791,143 (\$20,185,903 - \$13,191,360 + \$1,200,600 - \$1,404,000); for FY13-14 will be \$6,585,584 (\$13,120,837 - \$6,331,853 + \$1,200,600 - \$1,404,000); for FY14-15 will be \$6,764,358 (\$7,347,669 - \$379,911 + \$1,200,600 - \$1,404,000); and for FY15-16 and subsequent years will be \$3,250,004 (\$3,453,404 - \$0 + \$1,200,600 - \$1,404,000).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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